

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

McDaniel House, located at 1043 & 1049 Harvard Boulevard in Los Angeles, requested and is being recommended for a reservation of \$892,161 in annual federal tax credits and \$2,177,055 in total state tax credits to finance the new construction of 46 units of housing serving tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Decro Corporation and Daylight Community Development, LLC and will be located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of Department of Health Services (DHS) of Los Angeles County Rental Assistance.

Project Number CA-21-531

Project Name McDaniel House
Site Address: 1043 & 1049 Harvard Boulevard
 Los Angeles, CA 90006 County: Los Angeles
Census Tract: 2132.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$892,161	\$2,177,055
Recommended:	\$892,161	\$2,177,055

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: 1043 Harvard, L.P.
Contact: Greg Comanor
Address: 3431 Wesley Street, Suite F
 Culver City, CA 90232
Phone: 818-400-1510
Email: greg@daylight.la

General Partner(s) or Principal Owner(s): Decro Harvard LLC
 Daylight Harvard, LLC
 Angelino Supportive Housing Partners, LLC

General Partner Type: Joint Venture
Parent Company(ies): Decro Corporation
 Daylight Community Development, LLC
 Angelino Supportive Housing Partners, LLC

Developer: Decro Corporation / Daylight Community Development,
Investor/Consultant: R4 Capital
Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 47
 No. / % of Low Income Units: 46 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: September 15, 2021

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 1	2%
50% AMI: 45	98%

Unit Mix

38 SRO/Studio Units
7 1-Bedroom Units
2 2-Bedroom Units
47 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
38 SRO/Studio	50%	50%	\$986
7 1 Bedroom	50%	50%	\$1,056
1 2 Bedrooms	30%	30%	\$760
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,020,583
Construction Costs	\$11,252,325
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$675,000
Soft Cost Contingency	\$98,538
Relocation	\$123,604
Architectural/Engineering	\$685,700
Const. Interest, Perm. Financing	\$1,510,000
Legal Fees	\$200,000
Reserves	\$256,356
Other Costs	\$982,912
Developer Fee	\$2,237,863
Commercial Costs	\$0
Total	\$22,042,881

Residential

Construction Cost Per Square Foot:	\$451
Per Unit Cost:	\$468,997
True Cash Per Unit Cost*:	\$468,997

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Community Capital - T.E.	\$10,750,000	Citi Community Capital	\$6,040,563
Citi Community Capital	\$1,969,059	Prop HHH	\$6,440,000
Prop HHH	\$6,440,000	Tax Credit Equity	\$9,562,318
Deferred Costs	\$331,356	TOTAL	\$22,042,881
Deferred Developer Fee	\$1,118,118		
Tax Credit Equity	\$1,434,348		

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,156,947
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,304,031
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$892,161
Total State Credit:	\$2,177,055
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,237,863
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.88880
State Tax Credit Factor:	\$0.75000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$17,156,947
Actual Eligible Basis:	\$17,156,947
Unadjusted Threshold Basis Limit:	\$15,988,909
Total Adjusted Threshold Basis Limit:	\$37,359,639

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 97%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 4%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC’s financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.